

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2695 - SB 3434

February 15, 2010

SUMMARY OF BILL: Requires the health care plan benefits offered to state employees meet the requirements of a high deductible health plan as defined in federal law, 26 U.S.C. § 223. The provisions of the bill become effective January 1, 2011.

ESTIMATED FISCAL IMPACT:

Decrease State Expenditures – Net Impact - \$1,050,000/FY10-11

\$2,850,000/FY11-12

\$3,600,000/FY12-13 and Subsequent Years

Assumptions:

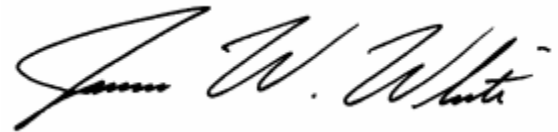
- A high deductible health plan as defined by 26 U.S.C. § 223 requires two basic features. First, there is an annual deductible of no less than \$1,000 and no more than \$2,250 for individual coverage or \$4,500 for family coverage. Second, there is an out-of-pocket maximum of not greater than \$5,000 for individual coverage and \$10,000 for family coverage.
- According to the Department of Finance and Administration, the projected total expenditures for calendar year 2011 for the state employee health plan are \$806,000,000 of which approximately \$450,000,000 is state expenditures which includes the state's portion of premium assistance.
- According to recent studies, high deductible health plans show cost savings ranging from 0.8 percent to 1.5 percent. This estimate is based on the state incurring a cost savings of 0.8 percent.
- It is estimated the state would experience a reduction in expenditures of \$3,600,000 ($\$450,000,000 \times 0.008$).
- The Department estimates an increase in expenditures for the campaign to explain the changes in the state employee health plan to all employees. Based on the size of the plan, the geographic dispersion, and the socio-demographic composition, the campaign is estimated to increase one-time expenditures by \$1,500,000.
- The net impact on state expenditures in calendar year 2011 is estimated to be a decrease of \$2,100,000 ($\$3,600,000 - \$1,500,000$). The net impact on state expenditures in calendar year 2012 and subsequent years is estimated to be a decrease of \$3,600,000.
- The estimated FY10-11 reduction in expenditures will be one-half, or \$1,050,000 ($\$2,100,000/2$), of the calendar year 2011 reduction.

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- The estimated FY11-12 reduction in expenditures will be the remaining net reduction in calendar year 2011 and one-half of the calendar year 2012 reduction in expenditures for a total reduction of \$2,850,000 [$\$1,050,000 + (\$3,600,000/2)$].

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/kml